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SUBJECT: Utility Prices Up for Households, Businesses

REF: Minsk 008

Summary

1. In January the Government of Belarus increased utility rates for households and rate increases for industry are set to take effect in April. Both price hikes are attempts to cut costs by reducing the heavy subsidies the GOB pays to utility services providers. Lukashenko, fearing public backlash, has routinely said he will not tolerate household rate increases larger than five dollars per month in one year. Even such "modest" increases will be felt by the Belarusian consumer. End summary.

Household Utility Costs Rise

2. On January 18, Belarus' government passed Resolution 69, which increased utility prices for households five dollars per month effective January 1, 2008. With this increase, Belarusian consumers pay 40 percent of the costs of utility generation. Lukashenko, sensitive to public fears of inflation, has asserted repeatedly that monthly household utility rates will not increase more than five dollars in a single year. (Note: In spite of such claims, some press sources predict an additional household utility price hike in spring 2008. End note.)

3. Though a five dollar monthly increase may seem modest, it is not insignificant for the average Belarusian consumer. Monthly salaries and retirement payments currently average USD 350 and 170, respectively. Monthly utility bills for the most common one- and two-bedroom apartments in Belarus are approximately USD 50 and 65, respectively, making utilities the average Belarusian's largest single expenditure after food.

Commercial Rates to Increase in April

4. Attempts to limit the effect of price hikes on individuals mean that Belarusian industry will be forced to pay higher utility rates as well. The government has already announced intentions to increase energy prices for commercial customers by approximately five percent starting on April 1.

Comment

5. According to the results of independent survey research (reftel), 85 per cent of Belarusians see price increases as the biggest problem facing the country. With wholesale and retail energy costs expected only to rise, and food price hikes rumored as well, public dissatisfaction with prices is likely to deepen and intensify.

